MediaZest plc - MDZ
Final Results
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MediaZest Plc
("MediaZest",the "Company" or the "Group"; AIM: MDZ)

Final Results for the Year Ended 31 March 2019

MediaZest, the creative audio-visual company, is pleased to provide shareholders with final results for the year ended 31 March 2019.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest plc for the year ended 31 March 2019 incorporate the results of its wholly owned subsidiary, MediaZest International Limited.

Results for the year and Key Performance Indicators

- Revenue for the period was £3,303,000 up 17% (2018: £2,819,000).
- Gross profit was £1,675,000 up 23% (2018: £1,361,000)
- Gross margins improved by 3% to 51% (2018: 48%).
- EBITDA was a profit of £129,000 (2018: loss of £113,000).
- Profit after tax was £6,000 (2018: loss of £256,000).
- The basic and fully diluted earnings per share was 0.0004 pence (2018 loss per share: 0.02 pence).
- Cash in hand at period end £24,000 (2018: £38,000).

Business overview

The Board is pleased to announce that the Group has reached profitability at both EBITDA and Profit after tax for the first time, with considerable year on year improvement in financial performance, beating market expectations comfortably.

The results include the beneficial profit impact of £117,000 resulting from the adoption of IFRS15, which is analysed in note 4. The impact of this is additional revenue of £317,000 and costs of £200,000 which are consequentially recognised in profit or loss for the year ended 31 March 2019.

Significant projects for HP (Hewlett Packard), Lululemon Athletica, Ford Motor Company, Mitsubishi Motors, Opel, and Tiffany & Co. as well as the European Bank for Reconstruction and Development have complemented ongoing contracts with long term clients such as Ted Baker, Diesel, Kuoni and Hyundai. During the year the Group has also successfully completed projects in Europe, the Middle East, Africa, Asia (including China), the Americas and Australasia making the Group a global provider of audio-visual solutions for our client base.

MediaZest International Limited turned over £3,303,000, generating EBITDA of £434,000 and a Profit after Tax of £350,000. It has annual ongoing recurring contractual revenues in excess of £700,000, a number of which are multi-year deals.

The first six months of the Financial Year 2019 were particularly pleasing as activity in the retail sector provided opportunities for growth and new client acquisition, in line with the Group's strategy. The second half of the financial year, however, was markedly more difficult. This was due, in part, to the deterioration in macroeconomic trading conditions that has been evident since November 2018 as a consequence, initially, of uncertainty surrounding Brexit and then latterly, an overall slowdown in the sector as a whole.

In light of these circumstances, the achievement in reaching profitability this year has been particularly encouraging although the Board recognises that there is much work still to be done.

Markets Served and Project Highlights

The Group services, primarily, the Retail sector, particularly the Automotive, Fashion, Electronic goods and Financial Services sectors. In addition, it also provides audio visual solutions for the Corporate and Education markets.

Below we set out some of the project highlights for the year in traditional retail.

The Company continued to provide innovative in-store solutions for HP's concessions within host retailers across Europe, the Middle East and Africa. In aggregate over 200 screens were deployed in twelve countries and eight different languages, all via a centrally managed content management solution provided by MediaZest.

In the follow-up to a successful deployment at Lululemon's flagship store in London's Regent Street two years ago, MediaZest has been working with Lululemon in providing digital signage solutions for multiple stores across Europe as part of their ongoing growth programme.

Business continued steadily with Ted Baker, for whom the company now provides content management and audio-visual support globally in twenty countries.

In 2018, the Group was delighted to be appointed to install a large LED screen at the Tiffany new concept store in Covent Garden and is currently working on their New Bond Street flagship store refresh programme.

MediaZest added Pets at Home as a client in the year, providing audio-visual solutions for their new store concepts in Stockport and Chesterfield. Following the year end the Company has also completed a further store in Stratford-Upon-Avon with two more awarded and another two in the pipeline.

The automotive sector remained fruitful, as the Group continued to work with Hyundai and VW but also delivered new concept stores for Ford, Mitsubishi and Opel. In respect of Ford, the Company provided a range of solutions including projection, LED and data measurement. This "Ford Store" concept in Manchester is located within the Next store in the city's Arndale Shopping Centre.

Mitsubishi opened their first store in the Lakeside shopping centre, again featuring a wide range of audio-visual solutions. For Opel, it provided content management and content build services for a proof of concept dealership in Germany, all in the local language. MediaZest, in respect of the latter, partnered with Snap On Business Solutions in much the same way as it works with Retail Interior Design agencies and the likes of Samsung to jointly deliver best-in-class projects for end clients.

In the corporate arena, the Group undertook a large project for the European Bank for Reconstruction and Development (EBRD), a new headquarters for both Kuoni and its sister company, Carrier. Along with the aforementioned client business the completion of an audio installation at BMW's Mini factory in Oxfordshire, were some of the more notable highlights.

Following the collapse into administration of HMV, a long-standing client, the Company wrote off bad debts of £16,000 against outstanding invoices representing amounts due no more than 30 days at the time of administration. Revenue from project work for the new owner of these stores has generated income of a similar level.

Strategy

The Board's strategy continues to be one of growing both the quantum and quality of revenues with an emphasis upon clients where there is a long-term opportunity to deploy solutions across multiple sites, and sometimes countries, over a period of time.

The Group focus is on providing a high-quality Managed Service offering wrapped around hardware and software delivery that generates ongoing contractual revenues from the customer base over several years and this is a major objective. This strategy has been effective over the last 24 months, in particular, which has enabled the Group to create an annual recurring contractual revenue base of in excess of £700,000. In the longer-term, the aim is to cover the Group's costs with recurring contractual revenues to achieve consistent profitability, supplemented by one or more 'game changing' large scale roll-out projects.

In the context of the above narrative, the Board has recognised the current period of economic slowdown and the negative impact thereof on the retail sector. It has, therefore, taken the following steps in late 2018/early 2019 to help mitigate this:

- Reduced annual costs by c. £200,000

- Increased marketing activity in the Education and Corporate sectors. This is already showing signs of success as noted below; and
- Undertook a small placing to improve working capital, also as detailed below.

Fund Raising During the Period

The Company raised £110,000 (before expenses) to strengthen the balance sheet from existing investors in February 2019 by way of a placing of 110,000,000 new ordinary shares at a placing price of 0.1p per share. The shares were admitted to trading on AIM in February 2019.

Outlook

Following the progress made during Financial Year 2019, it is prudent to assume that for the new Financial Year ending 31 March 2020, the macro-economic and business environment will continue to be challenging.

However, as already noted, many customers continue to work with the Company on an ongoing basis, rolling out solutions to their stores as refresh or new store programmes continue. Lululemon, Pets at Home, Ted Baker, Kuoni, Hyundai and several others fit into this category with multiple projects for each already won for the new financial year.

A large project in the Education sector has also been won, as announced in the Trading Update of 25 March 2019. This is expected to be deployed in the second half of the new financial year.

Retail markets in which the Company operates are increasingly adopting digital signage solutions, which bodes well for the future. "Big Data" services, including measuring return on investment and improving the relevancy of content to the consumer, represent opportunities in the sector in which the Group is in the vanguard.

Despite the business environment, renewal rates on recurring revenue contracts for "already-deployed" stores continue to be strong. This, coupled with both anticipated revenue and other new business wins, along with the reduction in the cost base means the Board believes the Group has an opportunity to build on this maiden profit during the coming year.

Lance O'Neill
Chairman
Date: 28 August 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£'000	£'000

Continuing operations		
Revenue	3,303	2,819
Cost of sales	(1,628)	(1,458)
Gross profit	1,675	1,361
Administrative expenses – excluding depreciation & amortisation	(1,546)	(1,474)
EBITDA	129	(113)
Administrative expenses – depreciation & amortisation	(40)	(41)
Operating profit/(loss)	89	(154)
Finance costs	(83)	(102)
Profit/(loss) on ordinary activities before taxation	6	(256)
Tax on profit/(loss) on ordinary activities	-	-
Profit/(loss) for the year and total comprehensive income/(loss) for the year attributable to the owners of the parent	6	(256)
Earnings/(loss) per ordinary 0.1p share		
Basic	0.0004p	(0.02p)
Diluted	0.0004p	(0.02p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

(Company No. 05151799)

	2019	**2018**
	£'000	**£'000**
Non-current assets		
Goodwill	2,772	2,772
Property, plant & equipment	62	51
Intangible fixed assets	1	3

Total non-current assets	2,835	2,826
Current assets		
Inventories	69	217
Trade and other receivables	481	897
Cash and cash equivalents	24	38
Total current assets	574	1,152
Current liabilities		
Trade and other payables	(1,017)	(1,664)
Financial liabilities	(548)	(471)
Total current liabilities	(1,565)	(2,135)
Net current liabilities	(991)	(983)
Non-current liabilities		
Financial liabilities	(25)	(22)
Total non-current liabilities	(25)	(22)
Net assets	1,819	1,821
Equity		
Share capital	3,656	3,546
Share premium account	5,244	5,244
Share options reserve	146	146
Retained earnings	(7,227)	(7,115)
Total equity	1,819	1,821

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2019 and were signed on its behalf by:

Geoffrey Robertson
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital	Share Premium	Share Options Reserve	Retained Earnings	**Total Equity**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2017	3,499	5,221	146	(6,859)	**2,007**
Loss for the year	-	-	-	(256)	**(256)**
Total comprehensive loss for the year	-	-	-	(256)	**(256)**
Issue of share capital	47	24	-	-	**71**
Share issue costs	-	(1)	-	-	**(1)**
Balance at 31 March 2018	3,546	5,244	146	(7,115)	**1,821**
Adjustment for adoption of IFRS 15	-	-	-	(117)	**(117)**
Balance at 1 April 2018 restated	3,546	5,244	146	(7,232)	**1,704**
Profit for the year	-	-	-	6	**6**
Total comprehensive income for the year	-	-	-	6	**6**
Issue of share capital	110	-	-	-	**110**
Share issue costs	-	-	-	(1)	**(1)**
Balance at 31 March 2019	3,656	5,244	146	(7,227)	**1,819**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019	**2018**
	£'000	**£'000**
Net cash generated from/(used in) operating activities before tax	117	(434)
Taxation	-	-

Net cash generated from/(used in) operating activities	117	(434)
Cash flows used in investing activities		
Purchase of property, plant and equipment	(30)	(5)
Purchase of intellectual property	-	(2)
Net cash used in investing activities	(30)	(7)
Cash flow from financing activities		
Other loans	(19)	(40)
Shareholder loan receipts	385	233
Shareholder loan repayments	(330)	(213)
Interest paid	(58)	(54)
Proceeds of share issue	110	70
Share issue costs	(1)	-
Net cash generated from/(used in) financing activities	87	(4)
Net increase / (decrease) in cash and cash equivalents	174	(445)
Cash and cash equivalents at beginning of year	(353)	92
Cash and cash equivalents at end of the year	(179)	(353)

NOTES TO THE FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's financial statements for the years ended 31 March 2019 or 2018, but is derived from those financial statements. Statutory financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Group's annual general meeting. The auditors have reported on the 2018 and 2019 financial statements which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this announcement are consistent with those in the full financial statements that have yet to be published.

The Report and Consolidated Financial Statements for the year ended 31 March 2019 will be posted to shareholders shortly and will also be available to download from the Company's website: www.mediazest.com

1. SEGMENTAL INFORMATION

Revenue for the year can be analysed by customer location as follows:

	2019	**2018**
	£'000	**£'000**
UK and Channel Islands	2,549	2,381
Netherlands	292	281
Switzerland	157	-
Italy	59	-
Germany	53	70
North America	29	54
Other	164	33
	3,303	2,819

An analysis of revenue by type is shown below:

	2019	**2018**
	£'000	**£'000**
Hardware and installation	2,008	2,016
Support and maintenance – recurring revenue	645	524
Other services (including software solutions)	650	279
	3,303	2,819

£65,000 of revenue has been recognised at a point in time and £3,238,000 of revenue has been recognised over a period of time. Transitional exemptions have been taken from restating the comparative disclosure.

Segmental information and results

The Chief Operating Decision Maker ('CODM'), who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board. The Board have reviewed segmental information and concluded that there is only one operating segment.

The Group does not rely on any individual client – the following revenues arose from sales to the Group's largest client.

	2019	2018
	£'000	£'000
Goods and services	155	94
Service and maintenance	181	169
	336	263

2. EARNINGS/(LOSS) PER ORDINARY SHARE

	2019	2018
Profit/(Loss)	**£'000**	**£'000**
Profit/(Loss) for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	6	(256)

	2019	2018
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,296,370,979	1,245,639,221
Number of dilutive shares under option or warrant	-	-

	2019	2018
	£'000	**£'000**
Weighted average number of ordinary shares for the purposes of dilutive loss per share	1,296,370,979	1,245,639,221

Basic earnings per share is calculated by dividing the profit after tax attributed to ordinary shareholders of £6,000 (2018 loss: £256,000) by the weighted average number of shares during the year of 1,296,370,979 (2018: 1,245,639,221).

The diluted loss per share is identical to that used for basic loss per share as the options are "out of the money" and therefore anti-dilutive.

3. CASH AND CASH EQUIVALENTS

	The Group	The Group	The Company	The Company
	2019	2018	2019	2018

	£'000	£'000	£'000	£'000
Cash held at bank	24	38	2	-
Invoice discounting facility	(203)	(391)	-	-
	(179)	(353)	2	-

4. ADOPTION OF IRFS 9 AND IFRS 15

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers were both adopted with effect from 1 April 2018 in line with the transitional provisions provided in the new standards.

For IFRS 9 there is not deemed to be any material impact as the impact of any increased loss allowance is deemed immaterial.

For IFRS 15, Management have reviewed the nature of their contracts in line with the new standard. In prior years the Group had unbundled the sale of goods and service works, recognising each element separately, when providing solutions to customers. However, Management now believe this solution constitutes the provision of a single performance obligation, where contract revenue should be recognised over time in line with the criteria of IFRS 15. As a result, Management have reviewed contracts in progress at the start of the financial year and aligned the accounting treatment to the new policy.

As disclosed in the Statement of Changes in Equity, this results in a reduction of equity of £117,000 relating to profit which cannot be recognised in line with the new accounting policy at the start of the year. The impact of this, is additional revenue of £317,000 and costs of £200,000 which are consequentially recognised in profit or loss for the year ended 31 March 2019 as this adjustment reverses in the current year.

For the remaining income streams of the business is there is no change in accounting policy from adopting IFRS 15.